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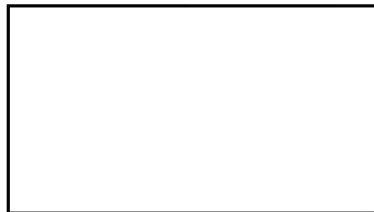
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NATIONAL INTELLIGENCE DAILY CABLE

Saturday April 30, 1977

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National Intelligence Daily Cable for Saturday, April 30, 1977.

The NID Cable is for the purpose of informing senior US officials.

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ZAIRE: Situation Report

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25X1 [REDACTED] Lead units of the Zairian-Moroccan task force were reported to have reached Masoji on Thursday. According to the US embassy in Kinshasa, government troops are still meeting almost no Katangan resistance. The Katangans apparently are even neglecting to destroy bridges.

25X1 [REDACTED] Press reports indicated yesterday that the government offensive on Kapanga had been repulsed by the Katangans. Some 1,300 Zairian troops were reported advancing on Kapanga earlier this week.

25X1 [REDACTED] The American consulate in Lubumbashi is skeptical of Mobutu's public statement on Thursday that there will be no suppression of Lunda tribesmen, who are relatives of many of the Katangans, in the government's campaign to reoccupy invaded areas of Shaba. Reports of army harassment and brutality directed against civilians are common and are thought to be the reason the reoccupied villages have been abandoned before the army arrives. The consulate doubts that Zairian officers have enough control over their troops to prevent brutalities in western Shaba.

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[REDACTED] A Katangan leader said in an interview yesterday that his organization will request aid from Angola, Tanzania, Zambia, Botswana, and Mozambique "because we are all embarked upon the same struggle for the liberation of our peoples." He said the Katangans were preparing for a lengthy struggle against the Mobutu regime. We doubt that any of the countries mentioned would provide aid directly to the Katangans inside Shaba under present circumstances.

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[REDACTED] The US embassy in Kinshasa has sounded a note of caution over reports that Iran and other conservative Arab states plan to grant Mobutu substantial financial aid. Such aid could be a useful supplement to possible financial relief to Zaire through official debt rescheduling, private bank credits, and the aid programs of established donors. If such assistance is not linked to formal stabilization commitments, however, it may lessen Mobutu's need and inclination to make the domestic spending reforms necessary for long-run economic recovery.

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PANAMA: Next Negotiating Round

25X1 [ ] //Panama appears to be approaching the next round of canal treaty talks hoping for US movement toward Panamanian positions but not banking on much progress from the session, which begins in Washington on May 9.//

25X1 [ ] The evidence on Panamanian expectations includes:

--A recent well-publicized interview with Chief of Government Torrijos in which he spoke of "skepticism" regarding the talks. Torrijos emphasized that US acceptance of Panama's timetable for dismantling the Canal Zone is the price for Panamanian satisfaction of US concerns about the canal's defense and neutrality.

[ ] 25X1

--Chief Panamanian negotiator Escobar's reiteration in Costa Rica this week that the US must now respond to Panama's established negotiating position.

25X1 [ ] //Holding the negotiating round in Washington also argues against much movement from the Panamanian side. Panamanian positions have to be cleared in detail by General Torrijos--perhaps more so now than at any previous point in the talks.//

25X1 [ ] //The Panamanians expect the US to be more willing now to expedite the turning over of operational control of the canal and to resolve questions regarding which side will control various lands and waters in the zone. Panamanian spokesmen recently have repeatedly criticized the US for an unyielding stance on "trivialities," such as a road or piece of land.//

General Torrijos is planning a trip to Mexico before the next negotiating round to firm up Mexican support prior to a visit there by US negotiators to explain the US position.//

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#### JAPAN - SOUTH KOREA: Shelf Issue

*Japan's failure this week to ratify its continental shelf agreement with South Korea has already prompted angry protests in Seoul. The Japanese government reportedly has informed the South Koreans that the pact is not dead and that it will again seek Diet ratification early next month, but South Korea is skeptical. If the Japanese do not act, the issue will strain ties between the two countries.*

South Korea has strong economic motives for seeking ratification of the pact; it badly needs any energy resources that may be discovered on the continental shelf. The issue also has become a question of national prestige in Seoul. The South Koreans ratified the shelf agreement in 1974 and subsequently have become increasingly frustrated over repeated Japanese delays.

In Japan, the treaty is a sensitive political issue for Prime Minister Fukuda's government. Basically sympathetic toward South Korea, Fukuda also is interested in exploiting any new energy sources. Most Japanese opposition parties, however, have resisted increased cooperation with South Korea and see the issue as an opportunity to embarrass the government. Japanese concern over Chinese objections to the treaty is also a factor, although Peking has registered its protests in a low-key fashion.

Fukuda has the votes to push ratification through the Diet but is moving cautiously, clearly hoping to avoid opposition charges of "high-handedness" and possible efforts to stall other key legislation.



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[REDACTED] Both progovernment and opposition parties in South Korea are denouncing Japan for not acting this week, and the government is discussing the possibility of "countermeasures." Seoul's real options are limited, and it is likely in any event to await the outcome of the Diet deliberations next month before deciding on a course of action.

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[REDACTED] In another development, Tokyo was warned by Moscow yesterday that it was ending the Soviet-Japanese bilateral fishing treaty concluded in 1956. Under the terms of the treaty, the decision to terminate it would take effect in one year. Moscow's action is the latest in an escalating series of moves designed to press Tokyo to accede to Soviet demands in the current round of fisheries negotiations following the USSR's declaration of a 200-mile fishing zone.

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LONDON ECONOMIC SUMMIT: UK

*//This is the fifth in a series of articles examining the points of view of the major developed countries participating in the London Economic Summit on May 7 and 8.//*

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[REDACTED] //The British view the summit as an opportunity for major developed-country leaders to gain a better understanding of each other and to air problems of common concern. Their primary objective is to provide a strong psychological boost to consumer and investor confidence throughout the world, which they hope will lead to increased demand for British products.//

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[REDACTED] //The Labor government still finds itself in a precarious position despite its political deal with the Liberal Party. Public opinion polls and parliamentary by-election results have indicated that Labor's fortunes are sagging and are unlikely to be improved by the local elections scheduled for next week.//

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[REDACTED] //Prime Minister Callaghan is not without hope, however. The deal he negotiated last month for Liberal support on key parliamentary votes will keep the government afloat until autumn and perhaps beyond. Callaghan is hoping the time he bought will bring some evidence that Labor's economic policies are working. Some sign of success would both reduce the Labor left's influence in the party and boost the government's prospects in an early election.//

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[REDACTED] //Callaghan continues to struggle with the twin demons of inflation and unemployment, with even the most favorable forecasts offering little hope of substantial improvement in either area this year. The government intends to keep a rein on public spending and has made a third year of wage restraint the linchpin of its economic program, even though it knows a new package will be much more difficult to negotiate than the previous settlements.//

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[REDACTED] //The recent surge of wildcat strikes has made Callaghan keenly aware of the inequities in earlier agreements, and he has acknowledged that a new accord must be more flexible. Although such a loose agreement is likely to slow the process of reducing inflation, the absence of a wage accord would probably create political problems that would jeopardize the government's continuation in office.//

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[REDACTED] //Because London is constrained in its own effort to reduce unemployment and inflation, it has repeatedly stressed the need for a worldwide attack on the problem. London believes

strongly that the GNP growth forecasts of the economically stronger developed nations should be viewed as targets and that the "Big Three" countries--the US, Japan, and West Germany--should publicly commit themselves to achieving the targets.//

25X1 [ ] //The British hope that such actions would generate demand for their products. British officials thus appear disappointed with the announced cuts in the US reflationary program, particularly since such cuts may end hopes of greater reflationary measures on the part of West Germany.//

25X1 [ ] //The British have expressed some concern over balance-of-payments financing arrangements. They believe that private banks are rapidly reaching the limits of their ability to finance deficit countries and that official financing is too limited, too short term, and too conditional to meet international needs.//

25X1 [ ] //In line with the US position, London sees advantages to some additional financing facilities linked either to the International Monetary Fund or the World Bank. The UK favors a substantial increase in IMF quotas as well as a proposal for a new special IMF lending facility.//

25X1 [ ] //The British are deeply concerned over what they perceive as a growing trend toward protectionism and would endorse a general statement eschewing trade controls. London nevertheless wants to retain freedom to impose selective measures when an industry is threatened and jobs are at stake. It also believes that the more advanced Asian countries merit somewhat harsher treatment in trade matters than the West.//

25X1 [ ] //The UK has dragged its heels on the Multilateral Trade Negotiations, fearing that broad tariff cuts would further impair the country's competitiveness. The British are convinced that any agreement on tariff reductions ought to cut less deeply and be subject to more exceptions than the Kennedy Round formula.//

25X1 [ ] //The UK's position to North-South issues is generally in line with that of the US. Given the current financial constraints on the UK, it is unwilling to commit itself to potentially costly aid proposals. Britain opposes the common fund

demanded by the developing countries but is willing to negotiate a limited common funding arrangement for individual commodity agreements.//

25X1 [ ] //London would prefer to help the developing countries, particularly those with per capita income of less than \$200, through increased multilateral assistance. To help quiet developing-country demands for debt relief, for example, the UK recently proposed that the developed countries make a special contribution of \$1 billion to the International Development Association.//

25X1 [ ] //British and US views on energy issues are very close, reflecting in part the UK's wealth of domestic energy. Although the British currently are focusing on the exploitation of North Sea oil and gas, which will soon alleviate their balance-of-payments problems, their longer term strategy calls for more conservation and increased use of coal and nuclear power. Britain would have no trouble setting oil import ceilings but probably would not want to involve itself in any pledge to help other countries reach theirs.//

25X1 [ ] //London has not yet decided whether to proceed with construction of a commercial fast-breeder nuclear reactor. A royal commission has urged delay, but the weight of technical opinion is that Britain should use its fast-breeder technology to capture a share of what is expected to be a large world market. The British agree with the intent of US efforts to halt nuclear proliferation and will probably cooperate in devising international restrictions on the transfer of sensitive technology and the availability of plutonium. [ ]

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YUGOSLAVIA: May Day Amnesty

*The Tito regime in Yugoslavia appears ready to announce an amnesty for some political prisoners on May Day. The handling of the event suggests the amnesty might be more restricted in scope than earlier information had implied.*

The authorities in Belgrade have told foreign correspondents to be available on Sunday for an unspecified announcement. The announcement will almost certainly deal with the amnesty program. During the past week, amnesty arrangements were completed in the republics of Croatia and Bosnia-Hercegovina, where the program has met political opposition.

The proposed release of political offenders has caused problems in the Yugoslav leadership. Some hardliner--mainly those who run disciplined fiefdoms in Bosnia-Hercegovina and a few other republics--have objected to releasing political foes because they fear this might encourage the liberal opposition. Some convictions, moreover, were based on trumped-up charges, and the local authorities probably are uneasy about the possibility of scandal.

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[redacted] These differences may have already caused the regime to alter its plans for amnesty. Earlier rumors said the amnesty would be announced at the end of May during the massive celebrations of Tito's 85th birthday and 40th anniversary as party leader. The rescheduling of the announcement over a three-day holiday--when the capital is largely empty--suggests the regime is seeking to play down the public relations aspects. [redacted]

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